



# **Why Do Contractors Contract? The Theory and Reality of High End Contingent Labor**

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## **Contingent Work is Growing Rapidly**

- Because of inconsistent data, difficult to estimate directly
- Growth in Temporary Service Industry -- used as a proxy
  - » Between 1986 and 1996 total employment grew 1.7% , while TSI employment grew 10.3%
  - » Largest percentage increase for any industry tracked by the Dept of Commerce.
  - » Growth most rapid in technical and professional occupations.
- Between 1/5th and 1/4th of all new jobs are now some form of contingent work.



## Three Perspectives on Contingent Labor

- **Organizational/Strategic** (Why do firms use contractors)
  - » Reduce labor costs (direct and transaction)
  - » Flexibility (numerical and functional)
  - » Manage flow of knowledge
- **Institutional** (collective welfare of employees & society)
  - » Dual labor market theory -- secondary dynamics infiltrate core
  - » Benefits, wage levels, security
  - » Assumes: Most people prefer full time work
- **Free Agent**
  - » return to craft based model
  - » employability, self-reliance
  - » anti-bureaucratic



## Difficulties with Current Views

- All promote an undifferentiated view of contingent labor.
- All assume work is organized either around organizations or markets -- overlooks possibility of occupational identities, affiliations and structures.
- All lack grounding in experiences and perspectives of workers.



## The Study

- Data: Interviews with 52 technical contractors (1998)
  - » Silicon Valley and elsewhere
  - » Purposefully over-sampled women
- Source: Registrants for Web Seminar on Contracting Lifestyle
- Method: Small number of open ended questions to insure consistency of topics



## Questions

- Why did contractors enter contracting? (*How did you become a contractor?*)
- How do contractors view their present situation? (*What are the costs and benefits of contracting? What would you say to someone who wants to become a contractor?*)



## Why Did Contractors Enter Contracting?

- Stories are more complex than either free agent or institutional theory suggest.
- Accounts contain three themes that trace a “narrative of transformation”
  - » **Expertise and discontent**. Simmering discontent with the realities of organizational life
  - » **Trigger Event**: forces a choice
  - » **Escape**: Encounters that lead expert to choose contracting



## Advantages & Disadvantages: The Tensions of Contracting

- Independence vs. Being an Outsider
- Security vs. Uncertainty
- Income vs. Hidden Costs
- Expertise vs. Market Resource



## Conclusions

- Most informants became contractors to protect the meaning of expertise from being eroded by organizational realities, only to discover that it was not subject to market forces that were no less corrosive.
- Life as a contractor is neither as grim as the institutionalists predict nor as rosy as free market advocates promise
- The importance of occupational dynamics and identities -- but at present occupational institutions are scarce.
- Support of emerging fledgling occupational institutions might help contractors manage the dark side of staffing.